

## Message Text

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SUBJECT: MAJOR PROJECTS: PIK VINKOVCI

COMMERCE FOR MAJOR PROJECTS DIVISION

SUMMARY: MAJOR YUGOSLAV FOOD GROWER/PROCESSOR, PIK VINKOVCI, DESIRES ESTABLISH LARGE CAPACITY FACTORY TO PRODUCE SO-CALLED "ISO-SUGAR" FROM CORN USING U.S. EQUIPMENT/TECHNOLOGY. VINKOVCI PLAN BASED IN PART ON STUDY BY ZAGREB INSTITUTE WHICH ASSUMES COST OF EQUIPMENT (CIF BUT NOT INSTALLED) AND BASIC LICENSES, BE IN DOLS 25 MILLION RANGE. VINKOVCI GENERAL DIRECTOR WISHES VISIT INTERESTED, CAPABLE AMERICAN FIRMS. ALSO WISHES VISIT FARM EQUIPMENT PRODUCERS AND RESEARCH CENTERS FOR DEVELOPMENT/EXPLOITATION CORN AND WHEAT. COMMERCE REQUESTED COORDINATE WITH USDA IN DEVELOPING BASIC SCHEDULE FOR EITHER APRIL OR MAY 1975. END SUMMARY

1. PIK VINKOVIC, ONE OF YUGOSLAVIA'S LARGEST AGRO-INDUSTRIAL ENTERPRISES, HAS EXPRESSED STRONG INTEREST IN ACQUIRING EQUIPMENT/TECHNOLOGY TO PRODUCE SO-CALLED "ISO-SUGARS" FROM CORN THROUGH ISOMERIZATION REPORTEDLY DEVELOPED AS CONTINUOUS PROCESS BY CLINTON CORN PROCESSING CO. (STANDARD BRANDS) AND PERHAPS OTHER U.S. PRODUCERS. CAPACITY FOR COMPLETE PROCESSING (INCLUDING BY-PRODUCTS) OF 250,000 TONS CORN ANNUALLY DESIRED. STUDY PREPARED BY ZAGREB'S FOOD PROCESSING TECHNOLOGY INSTITUTE (PTI) FORESEES PURCHASE FOREIGN EQUIPMENT FOR PLANTS FOR STARCH, UNCLASSIFIED

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AND GLUCOSE AS WELL AS ISOMERIZATION INCLUDING ANTI-POLLUTION

EQUIPMENT FOR TREATING WASTE WATER. COST ESTIMATES (WHICH PLANNERS STATE ARE VERY APPROXIMATE) ANTICIPATES COST OF EQUIPMENT (C.I.F. TO SITE) AND TECHNOLOGY AT CIRCA DOLS 25 MILLION. ENTERPRISE WOULD ALSO ANTICIPATE IMPORTING ENZYMES REQUIRED IN PROCESS ON LONG TERM BASIS.

2. GENERAL DIRECTOR JOSIP VOJVODIC EMPHASIZED SERIOUSNESS AND IMMEDIACY OF ENTERPRISE'S INTEREST DURING VISIT OF CON GEN OFFICER TO VINKOVCI MARCH 12, 1975. VOJVODIC, ACCOMPANIED BY APPROPRIATE SPECIALISTS, WISHES VISIT U.S. FIRM(S) PREPARED OFFER REQUISITE TECHNOLOGY AS SOON AS CONVENIENTLY POSSIBLE, HOPEFULLY BY MAY IF NOT APRIL. VOJVODIC ALSO REQUESTS USDA ASSISTANCE TO SCHEDULE MEETINGS WITH CORN AND WHEAT SPECIALISTS TO DISCUSS MOST PRODUCTIVE NEW STRAINS. ALSO INTERESTED IN DISCUSSING FEED PROCESSING AND IN TECHNOLOGY FOR EFFICIENT SEPARATION/UTILIZATION WHEAT STALKS AND CORN COBS.

3. VOJVODIC WOULD ALSO WISH TO VISIT JOHN DEERE AND FORD TRACTOR WHICH SUPPLY HIS MEDIUM AND HEAVY MECHANIZATION BUT COULD SCHEDULE THESE CALLS HIMSELF AS WELL AS A VISIT TO RELATIVES IN CANADA.

4. ISOMERIZATION TECHNOLOGY IS, HOWEVER, THE KEY REASON FOR THE TRIP AND THEREFORE VINKOVCI WOULD BE VERY GRATEFUL FOR USG ASSISTANCE IN ESTABLISHING SERIOUS INTEREST OF CLINTON OR OTHER U.S. FIRM IN LICENSING PRODUCTION HERE. VOJVODIC BELIEVES VINKOVCI CAN PRODUCE INDUSTRIAL SUGAR FROM CORN ABOUT 20 PER CENT CHEAPER THAN SIMILAR PRODUCTS OBTAINED FROM BEETS. IF U.S. PARTNER SO DESIRES, VINKOVCI PREPARED CONSIDER EQUITY PARTICIPATION. THIS CONNECTION VINKOVCI SEEMS TO BE HIGHLY PRODUCTIVE CORN PRODUCER. LAST YEAR'S YIELD OF 155,000 TONS REPORTEDLY REFLECTED AVERAGE OUTPUT 60-70 METRIC QUINTALS PER HECTARE WITH CORN PRODUCED AT COST OF CIRCA 9 CENTS PER KILOGRAM. (FOR PRICE RELATIONSHIP PURPOSES SUGAR CURRENTLY SELLING AT CIRCA 64 CENTS PER KILOGRAM).

5. VINKOVCI'S PRESENT PROGRAM EMPHASIZES WHEAT, CORN AND SUGAR BEET PRODUCTION, SOME OIL SEED, A FLOUR MILL, A FEED PLANT, BEEF AND PORK PRODUCTION AND A SLAUGHTERHOUSE. THE ENTERPRISE DIRECTLY CULTIVATES 60,000 ACRES

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OF ARABLE LAND AND PRMPCESSES PRODUCTION FROM 75,000 ACRES ADDITIONAL THROUGH COOPERATIVE ARRANGEMENTS WITH SOME 5,000 PRIVATE FARMERS. IN ITS AGRICULTURAL AND INDUSTRIAL ACTIVITIES, IT EMPLOYS SOME 2,500 PERSONS FULL-TIME. FIRM REPORTEDLY EARNED NET PROFITS OF DOLS 8 MILLION IN 1974 OR SALES APPROXIMATELY DOLS 80 MILLION.

6. ACTION REQUESTED: COMMERCE REQUESTED ESTABLISH INTEREST OF

CLINTON AND/OR OTHER APPROPRIATE U.S. FIRMS, ADVISE  
CONGEN AND EMBASSY AND COORDINATE BASIC PROGRAM WITH  
USDA. WE BELIEVE INDUSTRIAL COOPERATION OF THIS KIND  
WOULD CONTRIBUTE FAVORABLY TO THE INTENSIFICATION OF  
YUGOSLAV AMERICAN ECONOMIC RELATIONS.  
KAISER

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